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Message from the FDIC



Congress has designated April as Financial Literacy Month in the United States as a way to call attention to the crucial importance of financial education. The FDIC welcomes Financial Literacy Month as an opportunity to remind families and communities that we do much more than insure deposits - we also have a strong commitment to financial education and economic inclusion, directly through FDIC products and services or indirectly through partnerships with financial institutions, private non-profit organizations and other government agencies. This issue of our quarterly *Money Smart News* highlights some of the financial education work being done by the FDIC, especially on behalf of the unbanked or underbanked.

Here you'll read, for example, how the FDIC and our fellow regulators are addressing problems in subprime mortgage lending, some of which involves giving borrowers the information they need to make good decisions on loans. You'll learn about the new FDIC Advisory Committee on Economic Inclusion, which consists of distinguished leaders and innovators who will be offering recommendations on helping underserved populations enter the financial mainstream and build wealth. We also feature two new success stories from our *Money Smart* program, both of which touch on the importance of opening the lines of communication between financial institution staff and unbanked or underbanked consumers as a way to help break down psychological barriers to using mainstream financial services.

Also get to know more about FDIC Chairman Sheila C. Bair. Start by reading her March 2 speech that offers her views on financial education and her personal involvement in this field. I think you'll be especially interested in her memories of writing for children on financial matters and how, while a Professor at the University of Massachusetts, she spent her Wednesday mornings counting coins and filling out deposit slips as a volunteer coordinator of the school banking program at her children's elementary school.

As always, we also encourage you to get to know your [FDIC Regional Community Affairs Officer](#). The FDIC wants you to consider our regional staff among your most trusted resources for help or information on *Money Smart* or anything else that can promote financial education in your community.

Sandra L. Thompson

Director

FDIC Division of Supervision and Consumer Protection

FDIC Chairman Speaks About Key Issues in Financial Education

In a March 2 speech in Cleveland, FDIC Chairman Sheila C. Bair discussed the importance of promoting personal savings on a national level and making the financial system "work better for low- and middle-income Americans." Her speech included insights into the special roles that schools, parents and banks can play in teaching children about savings habits. ([Read more.](#))

Regulators Addressing Problems in Subprime Mortgage Lending

The news media has been featuring reports recently on trouble in the subprime lending market and the rising default rates on mortgages. In a recent development, the FDIC and other federal bank regulators have proposed for public comment a statement on issues relating to subprime mortgage lending, including concerns about borrowers not completely understanding the risks of certain adjustable-rate mortgage (ARM) products, in part because lenders do not always explain them. The proposed statement reinforces the concept that financial education can help consumers make smarter decisions in the financial marketplace, particularly if they learn to ask questions about important product terms. Comments are due by May 7, 2007. ([Read more about the proposed statement and the request for comment.](#)) Financial educators also can learn more about the problems consumers have faced in the subprime lending market by reading FDIC congressional testimony given [March 22](#) and [27](#) and [April 17](#).

FDIC Advisory Council on Economic Inclusion Is Formed, Holds First Meeting

The FDIC Advisory Committee on Economic Inclusion, which was established by the agency in November 2006 to provide recommendations on expanding access to banking services to underserved populations, held its first meeting on March 28. The main focus of the meeting was the availability of affordable small-dollar loan products. The Advisory Committee consists of 18 distinguished leaders from the public, private, and non-profit sectors. ([Read more](#) about the Advisory Committee and its inaugural meeting.)

Money Smart Success Stories to Inspire Financial Educators

In the latest installment of our Money Smart Success Stories, we feature information about how and why non-bank organizations involved in financial education can benefit from having bankers as guest instructors. Also included is a report on how one FDIC employee helped make a difference teaching financial skills to a predominantly Asian population in the Gulf Coast that is struggling to recover from Hurricane Katrina. ([Read these success stories.](#))

Latest FDIC Consumer News Is a Special Issue Featuring Simple Strategies for Managing Money

The Winter 2006-2007 issue of *FDIC Consumer News* is a special edition featuring simple, practical suggestions for dealing successfully with some of today's important money matters. The FDIC is encouraging financial institutions, financial educators and other interested parties to make the information in this how-to guide widely available, including reprinting or linking to the material and making copies with their name, logo, a special message and/or self-mailing information. Financial educators also are reminded that *FDIC Consumer News* is a resource for useful information on topics for consumers. Current and back issues are online. Educators and their students also can sign up for a free subscription. ([See the latest newsletter and subscription information.](#))

Treasury Department Data Highlight Need for Consumer Education About Direct Deposit

The U.S. Treasury Department, as part of its "Go Direct" campaign with the Federal Reserve Banks that is intended to encourage recipients of Social Security and other federal benefits to use direct deposit, has issued some new data of interest to financial educators. The Treasury on February 27 released a survey showing large numbers of consumers mistakenly believe that paper checks are safer than direct deposit when, in fact, paper checks account for more than 90 percent of the reported payment problems, including fraudulent endorsements. ([Read more.](#)) In addition, the same survey showed that as America's baby boomers start counting down to retirement they are becoming more financial savvy in paying bills online and banking but are less likely to use direct deposit for their Social Security benefit payments, opting instead to get paid with paper checks. ([Read more.](#)) The FDIC, which is a partner in the Go Direct campaign, recommends the use of direct deposit in its *Money Smart* financial education curriculum.

20-Agency Federal Financial Education Web Site Adds Links to Education Grants

MyMoney.gov, the federal government's one-stop source for financial education resources, has been updated recently to include links to information about grant programs for financial education. The U.S. Financial Literacy and Education Commission's Web site also includes new links to resources about the financial aspects of responding to life events. The FDIC is a member of the Commission. ([Read more.](#))

Reminders

Send Us Your Success Stories

The FDIC wants to hear how *Money Smart* is making a difference. We're interested in finding out about your programs and procedures, tips and other information that *Money Smart* educators and partners might find useful. The best contributions may appear in a future issue of *Money Smart* News. [See our previously published success stories](#). [Submit your stories](#) today!

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For More Help or Information

If you need additional assistance, [contact your regional Community Affairs Officer](#); or if you would like additional information on the *Money Smart* program, visit our [overview](#).

Past Issues

See other issues of the quarterly [Money Smart News](#) dating back to 2003.